

OFFERING MEMORANDUM

# STARBUCKS

ROANOKE, VIRGINIA



NET LEASE GROUP



EXCLUSIVELY OFFERED BY:

SUBJECT PHOTO

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THIS PROPERTY IS LISTED IN CONJUNCTION WITH VIRGINIA-LICENSED REAL ESTATE BROKER CUSHMAN & WAKEFIELD US, INC



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# STARBUCKS

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# Investment Offering & Highlights

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## The Offering

- Completed in 2007, a 1,872 square foot **STARBUCKS** retail building with drive thru and ample on site parking. Starbucks recently extended the lease for 10 years.
- **Price: \$2,282,400 - 5.25% Cap Rate**

## Leases / Tenant

- New 10 year lease extension demonstrating Starbucks commitment to the location
- Existing Net Lease through December 31, 2027
- Established location since 2007 with strong store sales
- Three-five year options with 10% rental increases
- Tenant has no early termination clause
- Starbucks is the largest coffee company in the U.S., with a S&P credit rating of “A-” and total stockholders’ equity of \$5.88 billion
- Starbucks plans to invest approximately \$600,000 in remodeling the building to be completed by September 2018

## Real Estate / Area Strengths

- Exceptional hard corner location with drive thru in front of Home Depot and Lowe’s
- Strong visibility site on the high traffic corridor of US Route 220 (50,000 ADT) where it transitions to Interstate 581- the primary highway that connects downtown Roanoke with Interstate 81
- Tenants in the immediate area along US Route 220 include Home Depot, Lowe’s, Kohl’s, Kroger, Outback Steakhouse, Chick-fil-A, Taco Bell, Applebee’s, Texas Roadhouse, Barnes & Noble, IHOP, and Wendy’s
- Major retail corridor location less than 5 minutes from the 800,000 sq. ft. Tanglewood Mall, anchored by Belk, JC Penney, SteinMart and TJ Maxx
- 1.5 miles north along US Route 220 of Mercedes-Benz, Infiniti, Jaguar & Landrover dealerships
- Average household income of \$86,302 within 1 mile and 104,795 population within 5 miles
- Virginia listed at #5 in Forbes magazine’s ‘Best States for Business’
- Roanoke is ranked #3 on Livability.com “2018 Best Affordable Places to Live” list

# Investment Offering

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## Location

4109 Southern Hills Drive Southwest, Roanoke, VA 24014

## Lot Size

Approximately 0.56 acres — 24,176 square feet

## Improvements

Completed in 2007, a 1,872 square foot **STARBUCKS** retail building with drive thru and ample on site parking. Starbucks recently extended the lease for 10 years, and has plans to invest \$600,000 in remodeling the building within the next six months.

## Lease

Leased to **STARBUCKS CORPORATION** for 10 years until December 31, 2027 with over 9 years remaining. The current annual rent is \$119,826. The lease is net, with the tenant responsible for taxes, insurance, and common area maintenance. The landlord is responsible for repairs and maintenance of the roof, structure, and parking lot. There are three, five-year options to extend the lease with 10% increases at the start of each option.

## Annual Rent

Lease Years	Annual Rent	Return
Current - 12/31/2027	\$119,827	5.25%
1/01/2028 - 12/31/2032 (Option 1)	\$131,808	5.77%
1/01/2033 - 12/31/2038 (Option 2)	\$144,986	6.35%
1/01/2039 - 12/31/2044 (Option 3)	\$159,494	6.99%

**Price: \$2,282,400 - 5.25% Cap Rate**



# Site Plan

EXISTING BUILDING

PROPERTY LINE

PROPERTY LINE

DRIVE THRU ONLY

PROPERTY LINE

PROPERTY LINE

PROPERTY LINE



±1,872 SF

DO NOT ENTER

SOUTHERN HILLS DRIVE

FRANKLIN ROAD

GRIFFIN ROAD





## About the Tenant

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**STARBUCKS CORPORATION, (NYSE: SBUX)** founded in 1971 and based in Seattle, Washington, operates as a roaster, marketer, and retailer of specialty coffee worldwide. The company operates in five segments: Americas; China/Asia Pacific; Europe, Middle East, and Africa. Its stores offer coffee and tea beverages, roasted whole bean and ground coffees, single-serve and ready-to-drink coffee and tea products, and food and snacks; and various food products, such as pastries, breakfast sandwiches, and lunch items. The company also licenses its trademarks through licensed stores, grocery and foodservice accounts. It offers its products under the Starbucks, Teavana, Tazo, Seattle's Best Coffee, Evolution Fresh, La Boulange, Ethos, Frappuccino, Starbucks Doubleshot, Starbucks Refreshers, and premium Tazo. As of April 26, 2018, Starbucks operated 28,209 company-owned and licensed stores.

The company distinguishes itself from other national coffee chains by investing heavily in mobile marketing. The Starbucks app currently has 13 million Starbucks Reward Members, approximately 9 million mobile paying customers and more than \$6 billion loaded onto prepaid Starbucks Cards in North America in 2016 alone.

As of October 2017, the company reported total revenues of \$22.3 billion and net income of \$2.88 billion. Starbucks is ranked #132 on the Fortune 500.

Company Type: Public (NYSE: SBUX)

S&P Rating: A-

Locations: 28,000 +

Website: [www.starbucks.com](http://www.starbucks.com)

### **Nestle Alliance**

On May 6th, Nestlé and Starbucks made an announcement that Nestlé will pay Starbucks \$7.15 billion for the right to market, sell and distribute Starbucks coffee globally outside Starbucks stores. The idea is to use Nestlé's stronger distribution system to expand Starbucks' distribution. In particular, the ability to put Starbucks coffee into Nestlé's proprietary single-serve system (Nespresso and Nescafé Dolce Gusto) and to use Nestlé's distribution power in China are important drivers of the transaction.

Source: Forbes

### **Starbucks sale of Tazo Tea to Unilever PLC**

Starbucks Corp. (Nasdaq; SBUX) has agreed to sell the Tazo tea brand to Unilever plc for \$384 million. The sale will give the coffee chain conglomerate an opportunity to focus on its Teavana business. Starbucks recently announced plans to close all of Teavana's 379 retail locations and will instead sell Teavana teas inside its approximate 28 thousand coffee shops. The company sold \$1.6 billion in Teavana products in 2016, and believes the business can grow to \$3 billion within the next five years.

Source: Mergers & Acquisitions





**Towers Shopping Center**



**CARILION CLINIC**  
MEMORIAL HOSPITAL AND CHILDREN'S HOSPITAL

**Tanglewood Mall**

**Old Country Plaza**

**Hunting Hills Strip Mall**

**58,000 CARS PER DAY**

**Berglund Luxury Roanoke**







Tanglewood Mall



South Peak  
RESIDENTIAL  
DEVELOPMENT



220



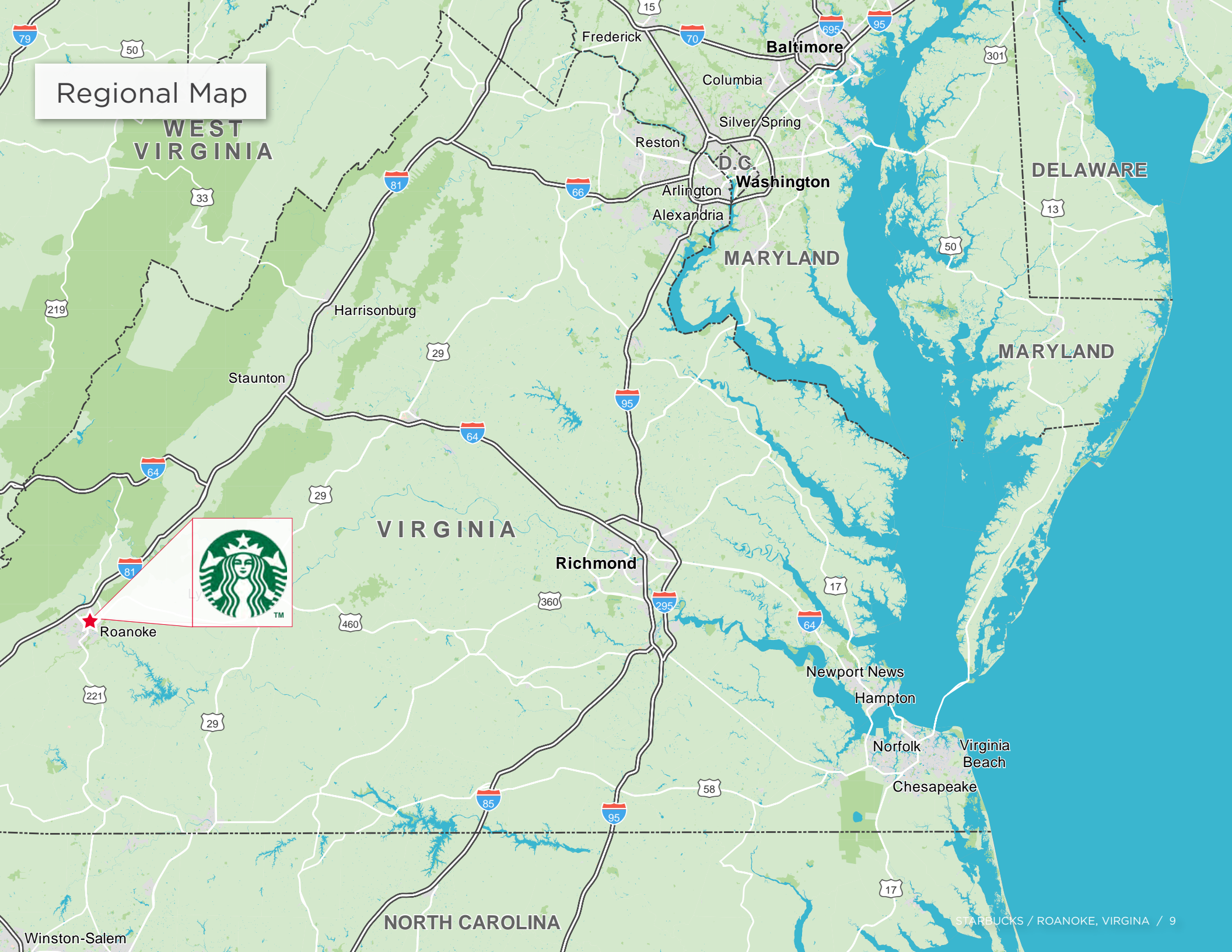
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The 1,872 square foot Starbucks retail building is exceptionally located on a hard corner, on US Route 220 (50,000 ADT), with drive thru and ample on site parking. Tenants in the immediate area along US Route 220 include Home Depot, Lowe's, Kohl's, Kroger, Belk, JC Penney, SteinMart, TJ Maxx, Outback Steakhouse, Chick-fil-A, Taco Bell, Applebee's, Texas Roadhouse, Barnes & Noble, IHOP, and Wendy's.



# Regional Map





## Local Area Map

### Roanoke, Virginia

Roanoke, with a population of 99,897, is the largest municipality in Southwest Virginia, and is the principal municipality of the Roanoke Metropolitan Statistical Area. The city of Roanoke is the center of one of Virginia's largest metropolitan regions, and a hub of transportation, finance, and industry for the southwestern part of the state. The city's diverse economy allows the city to thrive. Top business employers within the city include Advanced Auto Parts, Allstate Insurance, Anthem, Carilion Clinic, Coca Cola Bottling Company, and Dynax America.

Roanoke's location allows 2/3 of the US population access to the city within a day drives. This has resulted in a significant increase in tourism. The Roanoke Times reports numbers from the Virginia Tourism Corp. and the U.S. Travel Association show direct travel expenditures by regional visitors grew to about \$813 million in 2016. That's \$13 million more than the year before.





# Roanoke, Virginia<sup>(cont)</sup>

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## **ECONOMY**

The Roanoke Metropolitan Statistical Area (MSA) is located in the Roanoke Valley of western Virginia in the midst of the Blue Ridge and Alleghany Mountains. This 1,874-square mile region, with a population of 316,802, is bordered on the west by West Virginia and along the east by the Blue Ridge Mountains. Roanoke MSA was recently voted by Forbes as one of the best places to retire. Roanoke has also seen an increase in their millennial population. From 2011-2015 the millennial population has increased nearly 24%.

As a place to live or to make a living, the Roanoke MSA is recognized as one of the best. Roanoke's central East Coast location provides excellent market access for business and a pleasant climate for residents. Located in a right-to-work state, it is recognized and known for a low cost of doing business. Roanoke is the most economically diverse economy in Virginia and is the cultural and business hub for Western Virginia. The Roanoke MSA is home to several large regional banking offices, home to the headquarters of the Fortune 500 retailer Advance Auto, and home to several large advanced manufacturing operations such as those owned by General Electric, Harris, Dynax America, and Optical Cable Corporation, among others.

## **EDUCATION**

There are 11 institutes of higher education in the Roanoke Region. Virginia Tech is the largest in the MSA and is the 3rd largest university in the state. Roanoke College, located 7 miles from the town of Roanoke, was ranked 2nd on the 2014 U.S News and World Report list of up-and-coming Liberal Arts Colleges. Hollins University, Southern Virginia University, Ferrum College, Jefferson College of the Health Sciences, National College, ECPI University, Virginia Western Community College, and Dabney S. Lancaster Community College are located within 60 miles of downtown Roanoke.

## **TRANSPORTATION**

The Roanoke MSA is strategically located in the Roanoke Valley along Interstate 81, with Interstate 64 directly north and Interstate 77 nearby to the south. The area is strategically accessible to both the East Coast and Mid-West markets. The Roanoke MSA is the transportation hub of the area with an integrated interstate highway, rail, and air transportation network.



# Property Demographics

2017 Summary	1 mile	3 miles	5 miles
Population	3,985	49,570	109,482
Households	2,178	23,307	47,404
Families	1,113	12,525	26,918
Average Household Size	1.79	2.11	2.26
Owner Occupied Housing Units	1,218	13,397	26,534
Renter Occupied Housing Units	960	9,909	20,870
Median Age	53.8	43.7	41.8
Median Household Income	\$56,132	\$53,855	\$44,984
Average Household Income	\$86,302	\$74,334	\$64,478

2022 Summary	1 mile	3 miles	5 miles
Population	4,183	51,201	112,711
Households	2,280	24,016	48,685
Families	1,158	12,811	27,428
Average Household Size	1.80	2.11	2.26
Owner Occupied Housing Units	1,272	13,704	27,087
Renter Occupied Housing Units	1,007	10,312	21,598
Median Age	55.6	44.3	42.4
Median Household Income	\$60,439	\$56,927	\$46,919
Average Household Income	\$96,851	\$83,347	\$71,878





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REALTY**

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